

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 EB-07 PA-02 PRS-01 CIEP-02

CEA-01 FRB-01 OMB-01 SS-15 NSC-05 SP-02 /050 W

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R 191910Z AUG 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 808

UNCLAS OTTAWA 3349

POUCHED INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: EFIN, PGOV, CA

SUBJ: FEDERAL/PROVINCIAL RELATIONS - REVENUE GUARANTEES

REF: A. OTTAWA A-341, JUNE 2, 1976; B. OTTAWA 2681

1. PRESS REPORTS ON ANNUAL PROVINCIAL PREMIERS' CONFERENCE IN EDMONTON ON AUGUST 18 CONTEND PREMIERS SPENT MOST OF DAY DISCUSSING FEDERAL GOVERNMENT'S DECISION TO END REVENUE GUARANTEE PROGRAM. (SEE REFERENCES FOR DISCUSSION OF GOC INTENTIONS.)
2. JOINT STATEMENT ISSUED BY PREMIERS AFTER CLOSED-DOOR CONFERENCE, AS QUOTED IN PRESS, INCLUDED FOLLOWING CRITICISM OF GOC: "IF THE FEDERAL GOVERNMENT CONTINUED TO REFUSE TO FULFIL THIS COMMITMENT (E.G. REVENUE GUARANTEE PROGRAM), OTTAWA WOULD REALIZE THE SUBSTANTIAL AND UNWARRANTED WINDFALL OF CLOSE TO \$1 BILLION IN 1977 ALONE". "THE DIRECT AND IMMEDIATE CONSEQUENCE WILL BE REVENUE LOSS TO THE PROVINCES EQUAL TO \$100 PER TAXPAYER NEXT YEAR."
3. PRESS ALSO MAINTAINED THAT SASKATCHEWAN PREMIER BLAKENEY AND OTTAWA TREASURY MCKEOUGH SAID IN INTERVIEWS THAT INCOME TAXES IN THEIR PROVINCES WOULD BE RAISED IF REVENUE GUARANTEE PROGRAM DIS-

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CONTINUED, WHEREAS NEW BRUNSWICK PREMIER HARFIELD TOLD

INTERVIEWERS HE WOULD NOT RAISE TAXES IN HIS PROVINCE.  
BLAKENEY APPARENTLY ALSO SAID THAT IF GOC DOES NOT  
CHANGE ITS MIND, STRAIN ON FEDERAL-PROVINCIAL  
RELATIONS WOULD BE FELT FOR YEARS TO COME.

4. ONLY NOTE OF OPTIMISM WAS PROVIDED BY QUEBEC  
PREMIER BOURASSA WHO TOLD REPORTERS THAT PROVINCES  
HAVE GOOD CASE AND SHOULD BE ABLE CONVINCE OTTAWA OF  
JUSTIFICATION FOR CONTINUING REVENUE GUARANTEE PROGRAM.

5. COMMENT: QUESTION OF REVENUE SHARING, PARTICULARLY  
REVENUE GUARANTEE PROGRAM, IS ONE OF MAJOR IRRITANTS IN  
FEDERAL/PROVINCIAL RELATIONSHIP, AND WE HAVE NOT HEARD  
LAST WORD FROM PROVINCES IN THEIR CONTINUED OPPOSITION  
TO FEDERAL GOVERNMENT'S DECISION TO DROP REVENUE  
GUARANTEE. PROVINCES CLAIM DISCONTINUANCE WOULD COST  
THEM \$700 MILLION IN LOST REVENUE, AND THEY ARE NOT  
PREPARED TO GIVE UP THIS REVENUE WITHOUT COMPENSATING  
CONCESSIONS FROM FEDERAL GOVERNMENT IN FIELD OF REVENUE  
SHARING.  
DUEMLING

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, FINANCIAL STABILITY, PRESS COMMENTS, SPEECHES  
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**Copy:** SINGLE  
**Draft Date:** 19 AUG 1976  
**Decaption Date:** 01 JAN 1960  
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**Original Classification:** UNCLASSIFIED  
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**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 OTTAWA A-341, 76 OTTAWA 2681  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAR 2004 by ReddocGW>; APPROVED <21 JAN 2005 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** EFIN, PGOV, OCON, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006